THE EQUITY

PREMIUM OFFER CONTRACT

A contract to sell grain that establishes a cash price in a nearby delivery period at a premium in return for a firm offer to sell grain in a deferred period.

HOW DOES IT WORK:

The producer agrees to sell a specific quantity of grain for a specific delivery period at a cash price plus a premium to the current market in return for a firm offer to sell a like amount of corn at a specified price in a deferred period.

WHEN TO USE:

- Current prices including basis and premium represent an opportunity to lock in a desired margin level
- Producer wants to capture premium on nearby cash sales
- Producer outlook is bearish
- Producers are anticipating basis depreciation
- Producers is looking for a scale up marketing approach
- Market volatility is high

ADVANTAGES:

- Bushels are sold for nearby delivery
- Price includes a premium to the current market
- Firm offer on second unit of bushels can be incorporated into broader marketing plan
- Allows producers to lock in prices ahead of harvest

THINGS TO CONSIDER:

- Price will not increase if the futures market rallies beyond premium received
- Price will not increase if basis appreciates
- Obligation to sell addition unit of bushels may end up below the deferred market price, perhaps significantly

The information concerning underlying, exchange traded positions on this page is for reference purposes only. You will not have any futures contracts or options, but rather you have one or more cash commodity transactions that are priced on the basis of the referenced futures contracts and/or options. Past performance is not indicative of future results.

For More Information:
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